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TAGS: [PGOV](#) [PINR](#) [PREL](#) [IR](#) [AJ](#)
SUBJECT: THE IRANIANS ARE COMING - NOT REALLY

Classified By: DCM Donald Lu for reasons 1.4 (b) and (d).

¶1. (C) Summary: Azerbaijani media reports claiming that thousands of Iranians are moving to Azerbaijan and are fueling Baku's building boom appear to be overblown. With headlines ranging from "Thousands of Iranians Coming to Azerbaijan" to "Iranians Driving Up Property Prices," Azerbaijani media reporting has succeeded not only in fueling property market speculation, but in creating the perception among ordinary Azerbaijanis that thousands of Iranians are indeed moving to Azerbaijan. However, Azerbaijani real estate professionals and representatives of Azerbaijan's largest construction firms dispute these media claims, attributing the building boom to pent-up domestic demand and real estate's attractiveness as an investment in an inflationary economy. While foreigners - to include Iranians - do invest in the Azerbaijani real estate market, our real estate and construction business contacts report that newly-rich Azerbaijanis returning from Russia and the Ukraine account for over 95 percent of foreign real estate purchases in Azerbaijan. In fact, according to the Director of the Public Union of Real Estate Marketers, only 40 apartments were sold to Iranians in all of 2006. End Summary.

¶2. (C) Ask nearly any ordinary Azerbaijani on the street what is behind the nearly 700 new apartment buildings currently under construction in Baku, and "the Iranians" will almost always be mentioned as one of the top contributing factors. Azerbaijani real estate professionals and representatives of Azerbaijan's largest construction firms dispute these claims, attributing the building boom to pent-up domestic demand and real estate's attractiveness as an investment in an inflationary economy. Nusret Ibrahimov, Director of the Public Union of Real Estate Marketers (the most prominent local real estate association), told Iran Watcher in a July 16 meeting that Iranians played an "insignificant" role in the Azerbaijani real estate market. Ibrahimov said that four factors were driving Baku's building boom: pent-up domestic demand as more and more Azerbaijanis move from rural areas to Baku, real estate's attractiveness as an investment for both individuals and businesses in an inflationary economy, speculation, and money laundering. According to Ibrahimov's statistics, only 7 percent of all Azerbaijani building starts could be characterized as "foreign investment," Ibrahimov defining foreign investment to mean construction projects under the direction of locally-established legal entities with a foreign minority stakeholder. Of these foreign investors, Ibrahimov said that nearly all were Russian or Turkish-origin.

¶3. (C) While foreigners - to include Iranians - do invest in the Azerbaijani real estate market, our contacts report that newly-rich Azerbaijanis working in Russia or the Ukraine

account for over 95 percent of foreign real estate purchases in Azerbaijan. In a July 12 meeting with Econoff, Rustam Abdullayev, Chairman of the Board of Directors of the Altes Group (a prominent local real estate and construction business), said that most of Altes' clients were wealthy Azerbaijanis who worked in Moscow and St. Petersburg. Abdullayev said that according to his company's sales information, Iranians do not actively participate in the local real estate market due to the high prices of new apartments and houses. According to Public Union of Real Estate Marketers Director Ibrahimov, he was aware of the sale of only 40 apartments to Iranians in all of 2006.

¶4. (C) Comment: The fact that Government of Azerbaijan (GOAJ) property rolls and sales statistics do not reflect the nationality or origin of a property purchaser complicates any effort to ascertain the true nature and scale of foreign investment in the Azerbaijani real estate market. Based on our discussions with these and other Embassy contacts, we feel that Azerbaijani media reports attributing Baku's building boom and the rapid appreciation in property values to Iranians to be inaccurate. End Comment.
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